

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Quarterly Audit Status Report

ITEM NUMBER: 6

ATTACHMENT(S): 3

ACTION:

DATE OF MEETING: May 8, 2003

INFORMATION: X

PRESENTER(S): Way Lee

The following is our quarterly report on the status of the Office of Audits' FY 2002-03 school district audits; compliance case reviews; and internal audit projects, as of April 22, 2003.

SCHOOL DISTRICT AUDITS:

Fieldwork in progress	1
Drafting report/review	2
Draft Issued/Awaiting District's Response	1
Awaiting management's response	
Final S/D audit reports issued this Quarter	<u> 3 </u>
Total Audits – 3rd Quarter	<u> 7 </u>
Final School District Audit reports issued during this fiscal year	<u> 6 </u>
Special Project: Service Retirements Preliminary Survey Final report	<u> 1 </u>
Special Project: Service Retirements Allowances Audit – in progress	<u> 1 </u>

COMPLIANCE CASE REVIEWS:

During this past Quarter the School District audit staff started 4 compliance cases. The table below is a summary of the status of compliance cases for this period and the fiscal year. Attachment 2 provides details of the cases.

Cases from a prior period	30
Cases started during this period	4
Less final reports issued this period for cases started in a prior period	(0)
Less final reports for cases started in this period	<u>(0)</u>
Total Cases in Progress at the End of the Period:	<u> 34 </u>
Final compliance reports – cases started and Completed during this fiscal year	<u> 5 </u>
Final compliance reports issued and audit referrals during this fiscal year	<u> 31 </u>

INTERNAL AUDITS:

During the third quarter of FY 2002-03 (from 2/19/03 to 4/22/03), internal audits staff continued work on ten projects that were in progress at the beginning of the period. One of those projects was completed. Staff began work on three new projects and completed one of them. Details of these projects are included within the Internal Audits Fiscal Year (FY) 2002-03 Status Report at Attachment 3.

The following table provides a summary of the status of internal audits and special or other projects worked on during the period covered by this report:

Internal Audits/Projects **FY 2002/03 Third Quarter (2/19/03 - 4/22/03)**

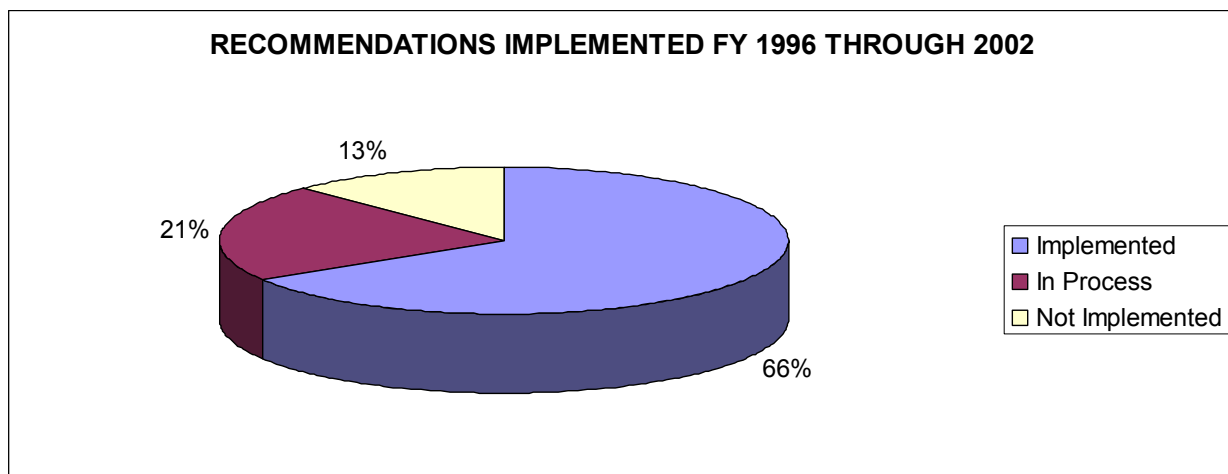
Fieldwork in process or project ongoing (as of 4/22/03)	8
In review/drafting report	3
Final report/memo issued or project complete	<u>2</u>
Total Audits/Projects worked on during quarter	13

Internal Audits Performance Measures

The following chart provides a summary of audit recommendations implemented to date. It identifies the percentage of administrative recommendations implemented or adopted.

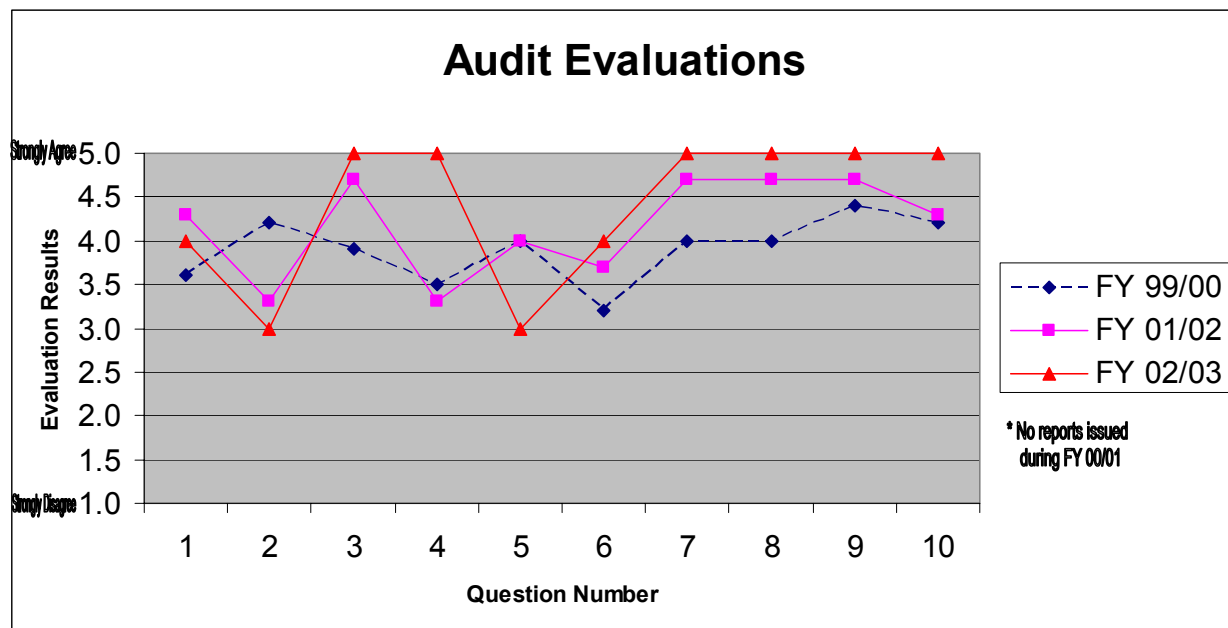
Performance Measure – Audit Recommendations

Office of Audits' recommendations for improvement	112
Number of recommendations implemented	74
Number of recommendations in process	24
Number of recommendations not implemented	14



The following graph is a representation of customer (auditee) evaluations. At the end of each audit engagement, we request that management complete our audit survey questionnaire to evaluate their satisfaction with our audit services. We identify and evaluate trends for those areas where we need to improve our customer service.

Performance Measure – Internal Audits Client Evaluations



- 1) Auditor explained the objectives, timing, and audit process and solicited questions and concerns.
- 2) Auditor exhibited an understanding of your mission/operations/procedures.
- 3) Auditor was cooperative in attempting to minimize interruptions to your operations.
- 4) Auditor demonstrated technical proficiency in audit areas and knowledge of CalSTRS policies.
- 5) Auditor demonstrated courtesy, professionalism, and a constructive and positive approach.
- 6) Auditee was informed of the audit status, major issues, and final results on a timely basis.
- 7) Auditee had the opportunity to provide explanations to observations as they developed.
- 8) All observations were adequately discussed and all issues of fact were resolved.
- 9) The final report was accurate and clearly communicated the audit results.
- 10) Recommendations were constructive, relevant, and actionable.

SCHOOL DISTRICT AUDITS/SPECIAL PROJECTS: FISCAL YEAR TO DATE STATUS REPORT
As of April 22, 2003

Defined Benefit Program Audit	Month Started	Target for Final Report	Status of Audit	Date of Final Report
Stanislaus Union School District	10/01	08/02	Final Report Issued	10/17/02
Salinas City Elementary School District	12/01	07/02	Final Report Issued	08/30/02
Farmersville Unified School District	04/02	10/02	Final Report Issued	09/30/02
Fairfield-Suisun Unified School District	07/02	01/03	Final Report Issued	12/09/02
Ontario-Montclair School District	09/02	03/03	Final Report Issued	02/14/03
Fontana Unified School District	09/02	03/03	Final Report Issued	12/06/02
Stockton Unified School District	09/02	05/03	Draft Report Issued – 01/13/03	
Coachella Valley Unified School District	10/02	05/03	Draft Report Being Reviewed	
Temecula Valley Unified School District	11/02	06/03	Draft Report Being Reviewed	
San Diego Community College District	04/03	09/03	Field Work in Progress	
Special Project: Preliminary Survey of Service Retirement/Exception Lines	03/02	08/02	Final Survey Report Issued	10/22/02
Service Retirements Allowances Audit	12/02	07/03	Field Work In Progress	

**OFFICE OF AUDITS
COMPLIANCE CASES: STATUS REPORT
June 21, 2002 Through October 22, 2003**

	Cases in Progress as of February 18, 2003 (34):
Number	Assignments
C-2364 - C-2368	Los Altos Elementary School District
C-2374 - C-2378	Mountain View Elementary School District
C-2379 - C-2383	Mountain View – Los Altos Union School District
C-2384 – C-2388	Oroville Union High School District
C-2394 – C-2396	Palermo Union School District
C-2397 – C-2403	Berkeley Unified School District
C-2404 – C-2407	San Ysidro School District

Note: C-2389 through C-2393 has been assigned but fieldwork has not started.

	Final Reports Issued and Audit Referrals From June 21 – February 18, 2003 (31):	
Number	Assignments	Status
C-2338 - C-2341	Earlimart School District	“Final” compliance letter issued July 9, 2002
C-2342 - C-2347	Fairfield-Suisun Unified School District	Referred to District Audits 07/01. Issues found during compliance review needed additional assurance of an audit.
C-2348 - C-2352	Tulare Joint Union High School District	“Final” compliance letter issued on October 17, 2002
C-2353 - C-2357	Porterville Unified School District	“Final” compliance letter issued on October 17, 2002.
C-2358 - C-2363	Sonoma County Office of Education	“Final” compliance letter issued on July 11, 2002
C-2369 - C-2373	Los Gatos Union Elementary School District	“Final” compliance letter issued October 18, 2002

OFFICE OF AUDITS
INTERNAL AUDITS: FY 2002-03 STATUS REPORT
FYTD as of April 22, 2003

AUDIT PROJECTS

Audit	Month Started	Target for Final Report	Status of Audit	Date of Final Audit Report
State Administrative Manual, Section (SAM) 20000 Review of Administrative/Accounting Controls for various cycles & subcycles within Administrative Branch:	3/01	6/03	<i>Work complete and in review</i> <ul style="list-style-type: none"> • Cash Disbursements • Cash Receipts • Purchasing <i>Drafting Report</i> <ul style="list-style-type: none"> • Receivables • Revolving Fund • Financial Reporting <i>Draft Issued</i> <ul style="list-style-type: none"> • Electronic Data Processing (EDP) Controls • Budget • Fixed Assets • Personnel/Payroll • Contracts 	
SAM 20000 Review of Administrative/Accounting Controls for various cycles & subcycles within Accounting Division, Information and Financial Systems Branch & Client and Benefits Services Branch	5/01	6/03	<i>Work complete and in review</i> <ul style="list-style-type: none"> • Cash Disbursements • Cash Receipts <i>Drafting Report</i> <ul style="list-style-type: none"> • EDP Controls • Revolving Fund • Financial Reporting • Receivables 	
Procurement & Contracting Activities	1/02	5/03	Draft report issued	
Soft Dollars Follow-Up	8/02	Complete	<i>Results were combined with prior S/D audit, reported 11/02</i>	11/02
Defined Benefit Supplemental Interim Payment Process	8/02	Complete	Memo-Report issued to management 1/03.	1/03
Review of Survivor Benefits Payments	2/03	5/03	Preliminary work in process.	
Private Equity Audits – Chicago GPs	4/03	5/03	Preliminary work in process.	

SPECIAL/OTHER PROJECTS

Special Project	Month Started	Target for Final Report	Status of Project	Date of Final Office of Audits Report
Defined Benefit Supplement Project Team	3/02	Ongoing	Fieldwork in process.	
CPA coordination: FY-01/02 Fin. Stmts.	5/02	Complete	Fin. Stmts. and Mngmnt. Report issued 9/02 and 10/02 respectively. Report to Board 11/02. CAFR issued 2/03.	N/A
Software Management Project Team	7/02	6/03	Fieldwork in process.	
Employee Resource Tracking System Team	7/02	Complete	Teamwork completed 4/03. IT team is automating process.	N/A
Audit Leverage Software Implementation	7/02	Complete	Reporting and Finding modules implemented.	N/A
START Post-Implementation Review (PIER)	8/02	Complete	Consultant's Report issued to Board 3/03.	N/A
Internal Audits Follow-Up, Quarter 1-FY 02/03	9/02	Complete	Report to Board 11/02.	11/02
Coordination of GFOA Excellence Award	10/02	Complete	Accounting Div. to file biennial application 3/03.	N/A
Internal Audits Manual (Update)	10/02	5/03	Draft of new manual being developed on CD Rom.	
Internal Audits Quality Assurance (QA) Program	11/02	6/03	Participated in QA Peer Review at State's DMV. Development of (CalSTRS') Internal Audits QA manual in process.	
Internal Audits Follow-Up, Quarter 2-FY 02/03	1/03	Complete	Report to Board 3/03.	3/03
CPA coordination: FY-02/03 Fin. Stmts.	2/03	12/03	New contract awarded. Preliminary work in process.	
Internal Audits Follow-Up, Quarter 3-FY 02/03	9/02	Complete	Report to Board 5/03.	5/03
External Auditor Contract & Audit Process	3/03	12/03	Preliminary work in process.	